NATIONAL CREDIT UNION ADMINISTRATION

NCUA News

December 2003 Number 7

Board actions – November 20, 2003

NCUA approves 2004 budget, reduces operating fee and overhead transfer rate

2004 NCUA budget approved

The NCUA Board approved a 2004 budget of $149,927,592, a 2.63 percent increase over the 2003 budget as the agency trims expenses. Full-time staff will decline from 971 to 963 positions in 2004, primarily because of the regional realignment. An additional $437,000 is being trimmed from expenses by eliminating the Chicago office rental space and by reducing the rent by relocating the regional office from Concord, Calif., to Tempe, Ariz.

The bulk of 2004 NCUA budget increases is attributed to the scheduled $3.3 million average 4.1 percent pay increase for staff. NCUA will discontinue the 2.25 percent single lump-sum merit payment introduced two years ago. Additional major budget increases include $1.3 million for added administrative costs and $1.4 million for added contracted services.

NCUA reduces 2004 operating fee by 6.81 percent

The NCUA Board reduced 2004 federal credit union operating fees by 6.81 percent saving federal credit unions $4.19 million based on the agency's budget needs of $58.43 million. The 2004 operating fee scale was adjusted 10 percent to accommodate an expected 10 percent asset growth in federal credit unions during 2003.

NCUA is financed by the operating fees federal credit unions submit annually combined with the overhead transfer allocation supplied by the National Credit Union Share Insurance Fund. Credit unions under $500,000 in assets pay no operating fees.

Overhead transfer method refined and transfer rate reduced to 59.8 percent

The NCUA Board reduced the 2004 overhead transfer rate from 62 to 59.8 percent based on a refined method of calculation that takes into account, among other variables, the value to the NCUSIF of the insurance-related work performed by state regulators.

The National Credit Union Share Insurance Fund overhead transfer is a mechanism for funding NCUA based on attributing insurance expenses to the agency's total operating costs.

Adopting a more comprehensive, annual approach, the refined method of calculating the NCUSIF overhead transfer amount now takes into account:

- Improved time surveys submitted by NCUA examiners tracking actual time spent on insurance related activities.
- Value of insurance-related work performed by state supervisory authorities.
- Cost of NCUA resources and programs with different allocation factors from the examination and supervision program.

continued on page 7

HIGHLIGHTS

Electronic FOM application system briefly unavailable

The NCUA Internet field of membership (FOM) application system credit unions use to submit FOM amendments electronically will be unavailable from December 24 through January 12 to enable system adjustments.

Federal credit unions that wish to submit FOM amendments during this time can retrieve the application from the website http://www.ncua.gov/orgNCUAgovLink.htm and fax or mail it to the appropriate regional office.

When the electronic FOM application system is restored Jan. 13, 2004, credit unions should continue to use the same PIN provided in May 2003 to access the system.

About investments

How to measure exposure risk

While short-term interest rates may continue to stay low, long-term interest rates, including 30-year mortgage rates, have risen from recent lows. It may be only a matter of time before short-term interest rates rise. So what tools are available to assess the risk of long-term, fixed-rate loans and investments?

Determine your comfort zone

Both earnings exposure measures and economic value exposure measures can provide indexes of risk. These measures can help determine comfort levels of risk and allow for setting limits to keep risk within your specific comfort zone.

Simulate interest income scenarios

Income simulation is one type of earnings exposure measure. An income simulation provides an estimate of earnings under a specific interest rate scenario, typically for a short time period such as two years. The difference between estimated future earnings in a stable interest rate scenario and an alternative interest rate scenario provides a quantitative measure of the impact of change in interest rates on earnings.

For example, a credit union may run an income simulation holding the current level of interest rates constant, and then run a second income simulation under a rising interest rate scenario. The change between the first and second income simulation provides an index of earnings at risk with rising interest rates.

Quality income simulation results can help determine a comfort zone for earnings at risk to changes in interest rates. It takes a substantial amount of time to perform quality income simulations. And as with all estimates, the income simulation results will be sensitive to the assumptions used. But not using quantitative earnings exposure measures may result in too much risk exposure. Or, the reverse may occur if those risk averse shy so far away from taking risks that earnings suffer.

Measure economic exposure

Asset valuation measures or net economic value measures are examples of economic value exposure measures. NCUA examiners use asset valuation measures for long-term mortgages and investments to help determine the scope of examination for interest rate risk.

Net economic value measures the difference in fair value of assets and fair value of liabilities. The difference between net economic value estimated under current interest rates and net economic value estimated for a higher (or lower) level of interest rates provides an economic exposure measure.

Quality net economic value measures can help provide longer-term risk assessment. Critics of economic exposure measures may focus on estimation difficulties, including problems when non-interest costs of servicing liabilities are omitted from fair value estimates. Many balance sheet items don't have readily observable market prices, so fair values must be estimated using assumptions.

Without quantitative economic value exposure measures, a credit union may inadvertently miss risks that short-term income simulations don't highlight. Because income simulations are accounting based, the results have the same weaknesses as current financial statements.

Today's accounting practices are based on a model using historical cost for some items and market values for others. For example, the economic value exposure of a security to changes in interest rates is the same, regardless of whether we account for the investment as held to maturity, available for sale or for trading.

By performing economic value analysis, we understand what the balance sheet's net worth would be under a fair value accounting model. This insight can help keep credit unions within their comfort zone.

Balancing investment portfolio risks

Past investment articles have focused on specific risks credit unions should consider when managing investment portfolios. The diversity of investment risks that have been identified in recent issues include: interest rate risk, market risk, credit risk, liquidity risk, prepayment risk and the risk of modeling the price of investments while ignoring quoted market prices. Carefully measuring and balancing risks will serve credit unions best in these uncertain times.

Each credit union must assess each of these risks based on its own risk/reward assessment. The assessment must go beyond investment return. It should involve evaluating the degree of uncertainty in each area of risk and weighing

continued on page 5

NATIONAL CREDIT UNION ADMINISTRATION

NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Dennis Dollar, *Chairman*
JoAnn Johnson, Vice Chair
Deborah Matz, Board Member

Information about NCUA and its services may be secured by contacting the Office of Public and Congressional Affairs, at 703-518-6330. The weekly Treasury-bill rates are available by calling 800-755-1030 or 703-518-6339.

Clifford Northup, *Director, Office of Public and Congressional Affairs*
Cherie Umbel, *Editor*
Barbara Walker, *Graphics*

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Board actions - December 18, 2003

Share Insurance Fund operating level set for 2004

The NCUA Board set the Share Insurance Fund operating level at 1.3 percent for 2004 based on the well-capitalized position of credit unions, the low number of CAMEL code 4 and 5 credit unions and the well reserved position of the NCUSIF.

The NCUSIF and insured credit unions have experienced an extended period of minimal losses. While the number of CAMEL code 4 and 5 credit unions remains little changed at 213, the number of credit union failures declined in 2003. Through November, 10 credit unions had failed costing approximately $6.7 million, well below the 2002 figures of 16 credit union failures costing $16.3 million.

The Credit Union Membership Access Act of 1998 mandates the NCUA Board set the normal operating level of the NCUSIF between 1.2 and 1.5 percent. The normal operating level is defined as the ratio of fund equity less unreserved contingent liabilities divided by the aggregate amount of insured shares.

NCUA seeks comments on consumer privacy notices

The NCUA Board joined fellow federal agencies in approving an advance notice of proposed rulemaking (ANPR) requesting comments on the format, elements and language of privacy notices financial institutions are required to provide consumers under the Gramm-Leach-Bliley Act.

Comments are being sought on whether the agencies should amend current regulations and how notices can be made easier to understand, more accessible, readable and useful. With a 90-day comment period, the ANPR encourages commenters to provide alternative sample privacy notices.

Share Insurance rule revised

The NCUA Board approved revisions to share insurance regulation Part 745 to simplify, clarify and provide parity with the deposit insurance rules of the Federal Deposit Insurance Corporation.

Final rule amendments include:

- Provide a six-month grace period continuing insurance coverage following the death of a member;
- Provide a six-month grace period continuing separate insurance coverage following the merger of insured credit unions;
- Clarify that the interests of non-qualifying beneficiaries of a revocable trust account are treated as individually owned funds of the owner even when the owner has not opened an individual account; and
- Clarify that Coverdell Education Savings Accounts, formerly Education IRAs, have insurance coverage.

NCUA adopts final loan participation revisions

The NCUA Board approved final revisions to the Section 701.22 loan participation rule to update and clarify the definition of credit union organization to conform to NCUA's interpretation of that term in the CUSO rule. The final revisions also expand the definition of financial organization to provide federal credit unions with greater flexibility in choosing loan participation partners.

NCUA considers charter modifications

Conversion requests

The NCUA Board approved the request of $228 million W.C.T.A. Federal Credit Union, Sodus, N.Y., to convert from a multiple common bond charter to a community charter to serve the people who live, work, worship, attend school and businesses and other legal entities in the New York counties of Monroe, Ontario and Wayne.

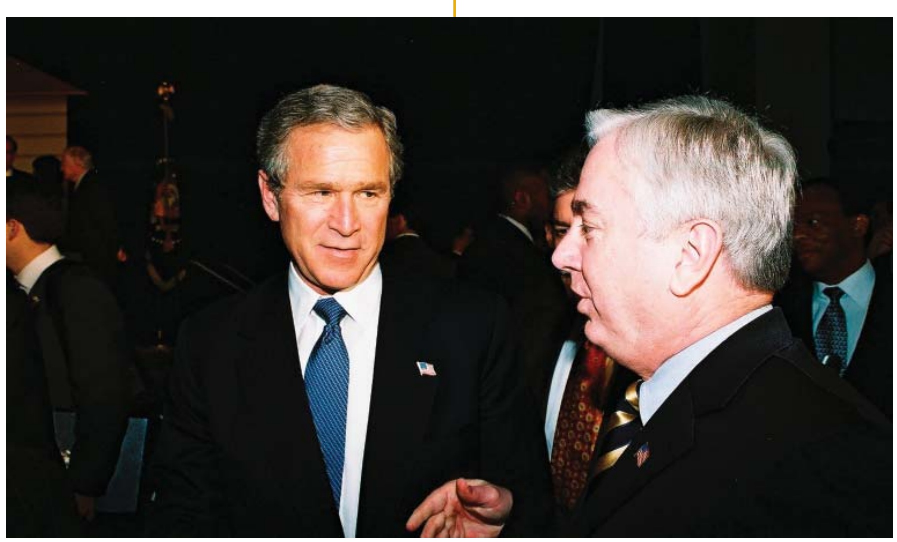
The NCUA Board approved the request of $225 million Park Federal Credit Union, Louisville, Ky., to convert from a multiple-group to a community charter to serve Jefferson, Bullitt, Spencer, Shelby, Oldham, Henry and Trimble Counties in Kentucky, and Clark and Floyd Counties in Indiana.

The NCUA Board approved the request of $182 million University Federal Credit Union, Birmingham, Ala., to convert from a multiple-group to a community charter able to serve Bibb, Blount, Chilton, Jefferson, Shelby, St. Clair, or Walker Counties in Alabama.

Community charter expansion

The NCUA Board approved an application from $394 million Paragon Federal Credit Union, Township of Washington, N.J., to expand its community charter to serve the people who live, work, worship, volunteer, attend school and businesses and other legal entities in Bergen County and Passaic County, N.J.

Votes are unanimous unless otherwise indicated.



December 16 , 2003, Wash., D.C . , – *NCUA Chairman Dollar speaks with President Bush following the bill signing of the American Dream Homeownership Act of 2003 at the U.S. Department of Housing and Urban Development.*

Conversations with AMERICA

My Government Listens

Who and What: Vice Chair Johnson will address the Northern Virginia Credit Union's Chapter Meeting.
When: Thursday, Jan. 8, 2004
Where: Alexandria, Va.
Why: Vice Chair Johnson will update members on current NCUA issues.
Contact: Heather Graham at 703-518-6309 or hgraham@ncua.gov

Who and What: Chairman Dollar and Board Member Matz will address the American Association of Credit Union Leagues' Winter Conference.
When: Friday, Jan. 23, 2004
Where: Naples, Fla.
Why: Chairman Dollar will review NCUA regulatory actions in 2003 and outline agency priorities for 2004. Q&A will include issues of importance to credit unions.
Contact: Nicholas Owens at 703-518-6336 or nowens@ncua.gov.
Why: Board Member Matz will discuss the leagues' roles in encouraging credit unions to serve everyone in their fields of membership and working to prevent taxation. She will also provide an update on her Partnering and Leadership Successes (PALS) initiative.
Contact: Patty Jenkins at 703-518-6336 or pjenkins@ncua.gov

Who and What: Vice Chair JoAnn Johnson will address the National Association of Federal Credit Unions CEO Conference.
When: Friday, Jan. 23, 2004
Where: San Diego, Calif.
Why: Vice Chair Johnson will update CEOs on current NCUA issues.
Contact: Heather Graham at 703 518-6309 *or* hgraham@ncua.gov

Who and What: Vice Chair Johnson will address the Washington Credit Union League Succession Planning Seminar.
When: Saturday, Jan. 24, 2004
Where: Seattle, Wash.
Why: Vice Chair Johnson will discuss the importance of succession planning for credit unions.
Contact: Heather Graham at 703-518-6309 or hgraham@ncua.gov

Who and What: Chairman Dollar will address and Board Member Matz will co-host a Partnering and Leadership Successes (PALS) workshop on Alternatives to Predatory Lending with the National Association of Federal Credit Unions (NAFCU), the Texas Credit Union League and Texas Credit Union Foundation.
When: Jan. 26, 2004
Where: The Westin Park Central Hotel, Dallas, Texas
Why: This PALS workshop is an opportunity for credit unions to share innovative programs to attract new members and to prevent their communities from being victimized by predatory lenders.
Contact: Patty Jenkins at 703-518-6318 or pjenkins@ncua.gov

Who and What: Board Member Matz will address the Texas Credit Union League's Dallas Chapter.
When: 7 p.m., Jan. 26, 2004
Where: Dallas, Texas
Why: Board Member Matz will discuss the importance of reaching out to new members, such as Latino communities, and providing innovative services, such as alternatives to predatory lending.
Contact: Patty Jenkins at 703-518-6318 or pjenkins@ncua.gov

November 4, 2003, Alex., Va. – *As part of NCUA's International Visitors Program, Chairman Dollar and Vice Chair Johnson meet with members of the Kenyan Ministry of Cooperative Development and the Kenyan Embassy's Commercial Attaché to discuss the U.S. credit union movement and regulatory responsibilities. From the left are Lina Ochieng, Commercial Attache, Embassy of Kenya; Benjamin Sogomo, Permanent Secretary, Kenya Ministry of Cooperative Development and Marketing; Chairman Dollar; Justus Kiago, Personal Assistant to the Kenyan Minister of Cooperative Development and Marketing and Vice Chair Johnson.*

Chairman Dollar promotes role of America's faith-based credit unions

Chairman Dollar's Special Assistant for Public Affairs Nicholas Owens participated in the White House Conference on Faith-Based and Community Initiatives December 5, in Tampa, Fla.

"Faith-based credit unions across the country continue to make significant contributions toward helping families gain financial self-sufficiency," Chairman Dollar said announcing Owens' participation in the forum. "We are pleased with the growing interest expressed by faith-based community leaders in the role that credit unions can play in providing economic empowerment for those they serve," he said.

The White House, together with a number of federal departments and agencies, has scheduled a series of conferences to help faith-based and community organizations learn more about President George W. Bush's initiative.

As part of the NCUA's Access Across America initiative, focusing on creating economic empowerment for people from all walks of life, the agency has made the chartering and expansion of faith-based credit unions a priority. Currently, there are 27 credit unions serving faith-based organizations in Florida. Nationally, there are 470 federal faith-based credit unions, with assets exceeding $2.7 billion.

Fourteen federally insured, faith-based credit unions have been chartered since January 2000. These credit unions provide needed access to affordable financial services in underserved neighborhoods where higher-cost lending outlets such as check-cashers, pawn shops and rent-to-own-companies have proliferated in recent years.

These free conferences equip participants with information about the programs suited to specific needs, federal funding process and the legal process to apply for federal funds. For additional information, visit http://www.whitehouse.gov/government/fbci.

Chairman Dollar responds to court decision on CAP repeal

The U.S. District Court recently dismissed a lawsuit filed in January 2002 that challenged NCUA's repeal of its interim final rule on Community Action Plan (CAP) requirements.

"I am extremely pleased with the United States District Court's decision dismissing the lawsuit filed against NCUA by the National Community Reinvestment Coalition regarding the interim final rule issued by the NCUA Board on Dec. 20, 2001, which repealed the regulatory required implementation of a community action plan, commonly known as CAP," Chairman Dennis Dollar stated following the Court's November decision.

"The Court's decision clearly affirms that the agency exercised its authority in a reasonable manner and followed proper administrative procedures in issuing the interim final rule to repeal CAP. This decision not only affirms that the agency followed proper procedures in repealing CAP, but in my view, reaffirms the agency's authority to address and change a policy that I have long felt was ill-suited and ill-advised for credit unions."

Balancing investment portfolio risks

continued from page 2

how much uncertainty the credit union can absorb balanced with providing members with the best possible service. In turn, the credit union must decide what constitutes "best" service. Is it attaining the highest return or selection of the safest possible investments? The answer lies between the two extremes.

A number of choices face an investment manager in the current environment. With a steep yield curve, should I take on interest rate risk in the form of longer maturities? Should I take on extension risk in the form of collateralized mortgage obligations or other mortgage backed securities? Should I take on credit risk by investing in bank notes? Or should I stay short with my corporate credit union? All risks are interrelated and each choice should be driven by the investment manager's risk assessment.

As always, prudent selection requires due diligence and careful consideration of all implications of a particular investment. At the same time, attention to detail will be most effective when it is performed in the context of a well conceived investment strategy. Think of risk at each instrument, portfolio and balance sheet level and consider multiple alternatives.

GC opinion letters

The NCUA General Counsel's Office issues opinion letters interpreting agency regulations and policies in response to questions submitted.

Summaries of a few recent opinion letters follow. To secure the letters mentioned, contact NCUA's Office of Public & Congressional Affairs, 1775 Duke Street, Alexandria, Va. 22314-3428; or, access all GC opinion letters on the NCUA Web site at http://www.ncua.gov/ref/opinion_letters/opinion_letters.html

continued on page 6

Board Member Matz recommends credit unions diversify to manage risk

Credit unions that diversify membership and assets are better positioned to manage risk, Board Member Debbie Matz advocated at the Mid-States Corporate Federal Credit Union's Economic Forum in Indianapolis October 17.

"Diversity – both in membership and in assets – is the best way for credit unions to spread out risk," Matz emphasized. By reaching many different types of members with a wide variety of services, credit unions diversify their assets and avoid high concentrations in any one area, she explained.

She pointed to the mortgage market as a perfect example, observing that credit unions are lagging the market in "purchase mortgages" – that is, first mortgages that fund home purchases rather than refinancing existing homes. "As interest rates rise, refinancing will fall. The future of the market is in purchase mortgages," Matz said.

The most promising outreach areas are in homeownership for minority populations. While three-fourths of white Americans own their homes, less than half of minorities do. With strong growth projections for minorities, new markets of potential homeowners are about to boom. Through the year 2020:

- The Asian-American population is projected to grow 80 percent;
- The Latino-American population is projected to grow 75 percent; and
- The African-American population is projected to grow 28 percent; while
- The white population is projected to grow 9 percent.

"Making inroads into these growing constituencies today is a golden opportunity for credit unions to recruit the members of tomorrow," Matz noted.

At the same time, she cautioned that credit unions must manage today's risk of holding too many fixed-rate mortgages in their portfolios as interest rates rise. She reminded participants that NCUA is urging all credit unions to assess their risk tolerance level and sell any mortgages above their risk threshold.

The full speech text is available online at http://www.ncua.gov/news/speeches/speeches_matz.html.

October 17, 2003, Indianapolis, Ind – *Board Member Matz visits with former U.S. Vice President Dan Quayle and Dave Preter, CEO/President, Mid-States Corporate FCU during Mid-States Corporate FCU's Economic Forum.*

GC opinion letters

continued from page 5

#03-0819 – Participation in California Worker's Compensation Self Insured tances, federal credit unions may join with other credit unions to organize and capitalize a nonprofit mutual benefit corporation to provide their employees with state-required worker's compensation coverage.

#03-0839 – Investment in portions of loans guaranteed by the U.S. – A federal credit union may invest in the portion of a loan with principal and interest fully guaranteed by the U.S. Department of Agriculture, a U.S. agency. The government guarantee provides authority for the investment, apart from the authority to engage in loan participations, so the statutory and regulatory restrictions on loan participations are not applicable.

#03-0855 – Louisiana statute governing inactive accounts – A federal credit union may adopt an inactive account policy without regard to state law governing such issues, as long as the policy does not conflict with other federal laws, state escheat laws, or its contractual obligations.

#03-0929 – Fidelity bond actions affect directors – Failing to qualify for fidelity bond coverage renders a director disqualified to serve and unless the director resigns or the FCU obtains fidelity bond coverage elsewhere, the FCU board must declare the seat vacant. An unbonded person cannot serve as director of a FCU.

#03-0934 – FCUs can provide long-maturity loans for manufactured homes – FCUs may make long-term loans for manufactured homes if the manufactured home qualifies as real property under applicable state law, is permanently affixed to the ground, and provided the loan meets all regulatory requirements for residential real estate loans under Section 701.21 of NCUA regulations.

Loan growth expands as strong savings and asset growth continues

Lending shows signs of rebounding as loan growth reached 7.09 percent in the third quarter of 2003, demonstrating the most significant expansion since 2001 according to preliminary call report data submitted by the nation's 9,458 federally insured credit unions. Meanwhile, assets grew 8.80 percent and savings grew 8.65 percent.

Tracking loan growth through September 30, 2003, the two largest loan categories showed the most significant increases. First mortgage real estate loans and used auto loans grew 13.78 and 10.84 percent respectively.

"The third quarter numbers demonstrate that credit union lending growth is beginning to track the growth in consumer confidence and improved economic vitality that the nation is seeing reflected in other leading indicators as well," said NCUA Chairman Dennis Dollar.

"Along with the continuation of the steady savings and asset growth that we have seen over the past several years, the third quarter performance in lending and overall net worth is indeed a positive development and hopefully reflects the beginning of several quarters of improved lending demand and solid loan performance," the Chairman said.

Total real estate lending grew to $162.6 billion and accounted for 44.3 percent of loans outstanding at the end of the 3rd quarter. While real estate loan growth accelerated each quarter in 2003, over half the $15.4 billion growth in real estate lending occurred during the 3rd quarter. The volume in loan originations has increased and the percentage of first mortgages sold has also increased, up from 29.2 percent in 2000 to an annualized 43.2 percent at September 30, 2003.

The amount and percentage of growth reported in major balance sheet and income statement categories and key ratio changes that occurred from January through September 2003 includes:

- Assets increased 8.80 percent, up from $557.1 to $606.13 billion;
- Loans increased 7.09 percent, up from $342.7 to $366.98 billion;
- Share savings increased 8.65 percent, up from $484.2 to $526.08 billion;
- Investments increased 14.19 percent, up from $140.2 to $160.11 billion;
- Net worth increased 7.48 percent, up from $59.7 to $64.17 billion;
- Loan to share ratio declined from 70.77 to 69.76 percent; and
- Delinquency ratio declined from 0.79 to 0.75 percent.

Share savings once again grew across the board, with the largest account categories share savings and share drafts both showing double digit increases – 11.33 and 10.01 percent respectively. For the first time in several years, the percentage of loan demand accelerated and investment growth slowed. The net worth ratio in federally insured credit unions dropped slightly, from 10.71 to 10.58 percent between January 1 and September 30, 2003, primarily due to continued high asset growth.

FFIEC issuing retail payment system guidance

NCUA and fellow Federal Financial Institutions Examination Council (FFIEC) members are in the process of issuing the next in a series of updates to the *1996 FFIEC Information System Examination Handbook*. This booklet revises guidance for examiners, financial institutions and technology service providers on retail payment systems.

The *Retail Payment Systems Booklet* provides guidance on the risks and risk management practices applicable to financial institutions' retail payment system activities including checks, card-based electronic payments and other electronic payment media such as person-to-person, electronic benefits transfer and the automated clearinghouse.

Board actions November 20, 2003

continued from page 1

- Distribution of insured shares between federal and federally insured state-chartered credit unions.
- Operational costs charged directly to the NCUSIF.

NCUA Annual Performance Plan 2004 adopted

The Board approved the NCUA Annual Performance Plan, which serves as the agency's annual operating plan and roadmap for 2004. It was developed considering input from credit union community stakeholders, market conditions, emerging issues and trends and performance planning regulatory guidance. The annual performance plan is developed jointly by the regional and central offices and serves as an essential tool in support of program operations and the budget process. Also, the Annual Performance Plan 2004 supports and serves as a means to update NCUA's 2003-2008 Strategic Plan.

Votes are unanimous unless otherwise indicated.

Smaller scam ads appear

Thanks primarily to efforts by newspaper publishers and ad managers, credit union executives and staff, the broad-based advertising scam reported in 21 states has greatly diminished. While the ads have not disappeared altogether, the former two-column, five-inch deep ads now appear primarily as simple one inch classified ads.

Most recently, the ads talk of the Christmas season and the availability of loans for troubled borrowers and exclusively use one toll free number – 866-475-8024. Please stay alert through the holidays and into the New Year, and continue to report suspicious credit union ads to NCUA's Fraud Hotline, 703-518-6550 or 800-827-9650. (Related story is in the November NCUA News)

National Credit Union Administration 2003 Highlights

January 21 – NCUA Chairman Dennis Dollar meets with Congressman Mike Oxley, Chairman of the House Financial Services Committee, to discuss the Congressional agenda and NCUA's regulatory relief proposals.

January 30 – Chairman Dollar holds an open forum in Birmingham, Ala., to hear first hand about credit union issues of concern.

February 14 – The Small Business Administration (SBA) adopts a policy permitting federally insured credit unions to become eligible SBA 7(a) lenders able to extend access to guaranteed small business entrepreneurial capital to more Americans.

March 27 – Testifying before the House Financial Services and Consumer Credit Subcommittee on Financial Institutions and Consumer Credit, Chairman Dollar recommends a number of regulatory relief measures to reduce regulatory burden and improve productivity for federal credit unions.

March 27 – The NCUA Board issues comprehensive revisions to the chartering and field of membership rule standardizing what constitutes a local community, offering a new trade, industry or profession charter designation and adding rule modifications to ensure the federal credit union charter remains a viable, safe and sound option within the financial system.

April 1 – A NCUA Partnering and Leadership Successes (PALS) workshop in San Francisco focuses on how credit unions can partner with more than 250 NeighborWorks® organizations to gain new members, provide affordable mortgages, and receive deposits from community organizations.

April 3 – NCUA submits testimony to Congress requesting $1 million in additional funding for the Community Development Revolving Loan Fund for 2004 and continuation of the $1.5 billion lending authority for the Central Liquidity Facility.

May 21 – The House Committee on Financial Services approves two bills important to NCUA: The Financial Services Regulatory Relief Act of 2003 includes five provisions and thirty technical corrections to the Federal Credit Union Act suggested by NCUA; and the Financial Contracts Bankruptcy Reform Act.

June 20 – Chairman Dollar takes part in the U.S. Department of Housing and Urban Development's (HUD) Homeownership Express national bus tour at its stop in Birmingham, Ala., to emphasize NCUA's partnership with HUD and highlight the role credit unions play in helping families achieve the American Dream of homeownership.

June 26 – Chairman Dollar testifies on Access Across America initiatives and credit unions' efforts to expand access and provide affordable financial service to the underserved before the House Financial Services and Consumer Credit Subcommittee.

June 26 – NCUA submits a laundry list of recommendations for regulatory relief legislation to Richard Shelby, Chairman of the Senate Banking, Housing and Urban Affairs Committee requesting removal of regulatory burdens and productivity improvements for federal credit unions.

July 8 – The NCUA PALS workshop, in Durham, N. C., Making the Latino Connection, highlights creative ways to bridge cultures and connect by focusing on the needs and financial institution expectations of Latinos, America's largest and fastest-growing minority.

August 20 – GAO releases report on enforcement of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). This GAO study recommends the consumer protection provisions of FDICIA should be enforced by the FTC, the agency with the statutory role of enforcing compliance with the consumer protection and disclosure provisions of FDICIA.

September 24 – The NCUA Board issues extensive revisions to its member business lending rule to enhance the rule and provide credit unions with greater flexibility to meet the business lending needs of their members.

October 16 – The NCUA PALS Member Business Lending workshop in Washington, D.C., attracts hundreds to hear credit unions and regulators share ideas about existing successful business lending programs, legal requirements and partnership opportunities.

October 27 – The GAO issues, Credit Unions – Financial Condition Has Improved, but Opportunities Exist to Enhance Oversight and Share Insurance Management, a comprehensive review of NCUA, the Share Insurance Fund and credit union operations which states the overall health and stability of credit unions has significantly improved since its last review in 1991.

November 20 – NCUA approves a slight increase in its 2004 budget while credit union operating fees and the overhead transfer rate are trimmed substantially.

December 8 – U.S. House of Representatives approves a conference report that increases funding for NCUA's Community Development Revolving Loan Fund by 20 percent, and funds Federal Trade Commission oversight of certain credit union disclosure requirements, as GAO recommended.

December 31 – Scheduled to close in April 2004, the Chicago regional office, with the exception of Wisconsin, transfers its supervision responsibilities to the five remaining regional offices. NCUA's California office, relocated to Tempe in November, officially closes.

Credit unions respond to disaster

continued from page 10

counseling. The service is publicized on the First Future website, ATM machines and in branch offices.

As part of the community, **Grossmont Schools Federal Credit Union** assistance programs are available for members who were displaced from their homes or who have suffered financially as a result of the fires. To get the word out, the GSFCU staff of 12 printed, stuffed, labeled and posted letters to each member 18 or older – 4,700 letters in all.

Many GSFCU members are in the particularly hard hit Crest and Harbison Canyon areas. When they returned to their homes Friday, October 31, the GSFCU relief and aid letters were sitting in their charred mailboxes.

Inland Federal Credit Union's CEO reports knowing at least nine credit union members seriously affected by the fires and said the credit union is working with each member on a personal basis to help them recover and rebuild.

North Island Financial Credit Union raised more than $10,000 for the Red Cross from member and employee donations. A check was presented during a local Fire Relief drive October 31. The credit union reports loans were handled on a case-by-case basis for the three members who lost dwellings to the fire.

San Diego Firefighters Federal Credit Union's CEO estimates that at least three member firefighters lost their homes and a number of others suffered some form of damage. This credit union has a comprehensive no-interest loan program and other programs for financial support -- instant cash up to $15,000 with no payments for six months and 90-day payment relief on SDFFCU loans.

SD Medical Federal Credit Union focused on assisting members. As the fires raged, SD Medical Federal Credit Union opened all branches and promptly coordinated with its select employee groups to inform all employees that their credit union was available to assist with low interest loans for members affected by the fires. All calls were fielded personally by the CEO.

San Diego Metropolitan Credit Union is collecting funds for the Red Cross to help fire victims. Among the special programs for affected members, the credit union is extending loans for up to 60 days and forgiving interest for that 60 days, allowing CD withdraws without penalty, and supplying replacement cards as needed.

USA Federal Credit Union is offering financial assistance through its Firestorm 2003 relief loan and other services, including:

- Unsecured loan assistance on a case-by-case basis;
- Loan amount up to $10,000;
- Maximum term of 60 months;
- Zero interest rate for first 180 days, and 10 percent thereafter; and
- Waive credit scoring for these loans.

USE Credit Union created a special fire relief program for those who need personal or family relief. Members and eligible San Diego County residents whose homes were damaged or destroyed in the fire can receive a 90-day, interest-free emergency relief loan of up to $5,000. Current members may also be eligible to skip loan payments or receive cash from CDs without early withdrawal penalties. Members are also being referred to the California construction loan relief program offered through CU Members Mortgage. USE offers other types of fire-related assistance on an individual basis.

In addition, the credit union collected financial contributions at each of its branches with all proceeds going to local American Red Cross fire relief efforts. Plus, USE is distributing fire disaster assistance information, including contact information for elected officials, insurance agencies, the Federal Emergency Management Agency (FEMA) and the California Department of Insurance.

Fire damage and assistance

The California Credit Union League reports the fires are blamed for 22 deaths and for destroying more than 3,500 homes in Los Angeles, Riverside, San Bernardino, San Diego and Ventura counties. Property damage from the fires is expected to reach at least $2 billion.

While many credit unions and people across the country donated financial assistance to fire victims through the Red Cross, two credit union funds were established to assist the credit union staff, volunteers and members who suffered losses due to the wildfires.

The California Credit Union League Disaster Relief Fund and the National Credit Union Foundation's 2003 California Wildfires Fund received over $200,000 from individuals, credit unions and other organizations to aid victims of the worst fires in California history.

Through Dec. 12, 2003, the California Credit Union League approved 375 grants totaling over $200,000 to credit union staff, volunteers and members affected by the devastating wildfires that swept through five California counties at the end of October.

Check out NCUA's **Share Insurance Estimator** accessible at ***www.ncua.gov.***

Credit unions respond to disaster

California credit unions demonstrate a generous spirit of giving

San Diego County credit unions serve nearly 1 million members from diverse fields of membership and during the recent fires in southern California many proved the philosophy of "people helping people" remains as strong as ever. A summary of fire-relief efforts provided by a number of San Diego County credit unions follows:

Cabrillo Credit Union is offering a special recovery loan of up to $10,000 with an APR as low as 0 percent for wildfire victims.

California Coast Credit Union established a $100,000 fund to provide a $1,000 donation to each eligible member whose primary residence was destroyed by fire. In addition, the credit union established an Emergency Financial Services Hotline to discuss:

- Delaying or reducing loan payments on existing loans;
- Priority loan processing for immediate cash needs;
- Increasing credit lines;
- Penalty-free early withdrawals from certificate accounts; and
- Free replacement checks and ATM, credit and check cards.

The CEO and staff at **El Cajon Federal Credit Union** are assisting with any needs members may have due to the devastating fires. The credit union supplied lunch for the dispatchers at the fire station during the fire and today continues to offer a variety of products and services to help members, including:

- Signature loans with no interest and no payments for 90 days;
- Deferred payments on existing loans for up to 90 days;
- Payment reductions for up to six months; and
- No penalties for early withdrawal of existing share certificates.

Financial 21 Community Credit Union's employees personally donated hundreds of dollars to a local radio station's Fire Aide Relief Fund, a community effort that raised more than $1.4 million in just four hours. Four of the five Financial 21 Community Credit Union branches are located in the fire-affected areas of Kearny Mesa, Vista, El Cajon and Chula Vista, Calif.

First Future Credit Union contributed $10,000 to the California CU League Disaster Relief Fund and challenged other San Diego credit unions to a dollar-for-dollar match of up to another $10,000. First Future CU also established an emergency hotline at 858-320-4218 so fire victims can get immediate financial

continued on page 9

NATIONAL CREDIT UNION ADMINISTRATION
NCUA News

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

PRESORTED
FIRST CLASS MAIL
POSTAGE AND FEES PAID
NCUA
PERMIT No. G-88